

PT TELEKOMUNIKASI SELULAR (TELKOMSEL) SECOND QUARTER (JAN-JUN) 2003 RESULTS

OWNERSHIP

PT Telekomunikasi Selular ("Telkomsel"/"the Company") was officially established in 1995. The Company is for 65% owned by PT Telekomunikasi Indonesia, Tbk. ("Telkom": JSX:TLKM; NYSE:TLK; LSE: TKID) and for 35% SingTel Mobile, a 100% owned subsidiary of Singapore Telecommunications Ltd. ("SingTel": SGX: TELE.SI). Telkomsel is the largest cellular company in Indonesia with 53.2% market share at the end of March 2003.

FINANCIAL STATEMENTS

Telkomsel reports its unaudited financial statements and operational results for the six months ending June 30, 2003. The Company's financial statements are consolidated by PT Telekomunikasi Indonesia, Tbk. All figures in Telkomsel's financial statements are prepared in accordance with Generally Accepted Accounting Principles in Indonesia (Indonesian GAAP).

Revenue and Expense Recognition Revenues from new service connections are recognized upon delivery of starterpacks/SIMcard to distributors, dealers or directly to customers. Airtime, value-added services and monthly subscription charges are recognized when earned. Prepaid vouchers are initially recorded as unearned income and then proportionately recognized as usage revenue based on successful calls made by subscribers or whenever the unused stored value of the voucher has expired. Operating revenues are presented net of interconnection and international roaming charges.

Expenses are recognized when incurred.

Allowance for Doubtful Accounts Allowance is provided based upon the evaluation of the collectibility of the accounts.

Property, Plant and Equipment Property, Plant and Equipment are stated at cost less accumulated depreciation. Depreciation is computed on the straight-line method based on the estimated useful lives of the assets (e.g.: infrastructures 5-10 years; supporting facilities and measurement equipment 3-5 years).

Property, Plant and Equipment are insured to cover any possible losses caused by destruction or damage by riots, strike and malicious acts.

Foreign Currency Transaction & Balances Transactions involving foreign currencies are recorded at the prevailing rate at the time the transactions are made. At the balance sheet date, assets and liabilities denominated in foreign currencies are adjusted to reflect the prevailing rates of exchange at such date as published by the Central Bank. The resulting gains or losses are credited or charged to current operations, except any net foreign exchange loss on obligations arising from the acquisition of property, plant and equipment, which is capitalized to the related asset.

Conversion Rate The Statements of Income use an average middle conversion rate of Rp.8,655 to the US Dollar from January through June 2003 and the rates applied to the Balance Sheets are the Bank Indonesia middle rate of Rp.8,285 to US\$ 1.00 quoted from Bank Indonesia June 30, 2003.

EARNINGS & EBITDA

For the first half of 2003 the Company reported a net income of Rp.1,944 billion, representing an increase of 54% compared to the same period last year. Total operating revenues grew by 51%, from Rp.3,326 billion to Rp.5,007 billion, while total operating expenses (including depreciation) grew by 47% from Rp.1,477 billion in 2002 to Rp.2,176 billion in 2003.

EBITDA grew by 56% from Rp.2,273 billion in the first half of 2002 to Rp.3,548 billion in the same period of 2003. EBITDA margin was 71% for 2003, a 3% increase compared to an EBITDA margin of 68% in 2002.

The operating revenues increase mainly resulted from the prepaid customer base growth. SMS/data revenues grew with 138% from Rp.382 billion in 2002 to Rp.908 billion in 2003.

The net interconnection revenues in the first half of 2003, compared to a net interconnection outpayment in the comparable period of 2002, resulted from the change in customer base composition (more prepaid results in a change in ratio incoming/outgoing traffic) and the absolute size of the customer base (more intra-network calls).

The increase of operational expenses was mainly because of the operation & maintenance costs increase, in line with the growth of network infrastructure and capacity.

Although the interest expenses increased significantly in 2003 (as a result of the bond issuance), total other charges was lower in 2003 due to the recording of tax adjustments in 2002.

STATEMENTS OF INCOME FOR THE SIX MONTHS ENDED JUNE 30, 2002 AND 2003 (in Billions of Rupiah and Millions of U.S. Dollar)

	2002 Rp	2003		Growth
		Rp	US\$ (1)	
OPERATING REVENUES				
Post-paid (kartuHALO)	1,473.9	1,656.2	191.4	12%
Prepaid (simPATI)	1,687.8	3,081.6	356.1	83%
International roaming	205.8	181.5	21.0	-12%
Interconnection revenues (outpayment) - net	(41.8)	87.2	10.1	309%
Total Operating Revenues	3,325.7	5,006.5	578.5	51%
OPERATING EXPENSES				
Personnel	116.7	147.3	17.0	26%
Operation & maintenance	508.8	835.7	96.6	64%
General & administrative	151.2	162.2	18.7	7%
Marketing & selling	54.5	71.8	8.3	32%
Rev. dependent & other cost of services	221.9	241.0	27.8	9%
Depreciation and amortization	424.4	717.6	82.9	69%
Total Operating Expenses	1,477.5	2,175.6	251.4	47%
EBIT (EARNINGS BEFORE INT. & TAXES)	1,848.2	2,830.9	327.1	53%
OTHER INCOME (CHARGES)				
Interest income (expenses)	(17.3)	(42.6)	(4.9)	146%
Foreign exchange gain/(loss)	7.9	24.0	2.8	204%
Others - net	(48.9)	(12.4)	(1.4)	-75%
Other income (charges) - net	(58.3)	(31.0)	(3.6)	-47%
INCOME BEFORE TAX	1,789.9	2,799.9	323.5	56%
PROVISION FOR INCOME TAX	530.6	855.8	98.9	61%
NET INCOME	1,259.3	1,944.1	224.6	54%
EBITDA	2,272.6	3,548.5	410.0	56%
EBITDA MARGIN	68%	71%	71%	3%

Notes:
 • 2002 figures have been reclassified to conform with 2003 presentations
 • (1) US\$ 1 = Rp.8,655 (average end of months Jan-Jun 2003 mid-rate, quoted from Bank Indonesia)

PRODUCTS & SERVICES

To strengthen its product positioning Telkomsel has in the first quarter 2003 launched international roaming services for its prepaid subscribers. In March and May 2003, Telkomsel reduced its points of charging (POC) from 27 to 18, to increase its competitiveness against other operators. The change in POC has extended Telkomsel's local zone and resulted in a significant increase in revenues from local calls, and a decrease in revenues from long distance calls, with a net positive impact on revenues.

Telkomsel was again awarded two Indonesian Best Brand Awards for its postpaid and prepaid products based on a survey held by MARS Research Company in cooperation with SWA Magazine. The brand value index of Telkomsel was significantly better than its competitors.

	BRAND VALUE INDEX	
	2003	2002
Postpaid		
Telkomsel (kartuHALO)	203.2	55.2
Satelindo (Matrix)	21.2	43.9
Excelcomindo (Pro XL)	21.0	28.1
IM3 (Bright)	2.5	6.2
Prepaid		
Telkomsel (simPATI)	178.3	125.4
Satelindo (Mentari)	112.4	80.0
Excelcomindo (XL)	60.2	64.6
IM3 (Smart)	18.0	6.5

Source: SWA Magazine (14/XIX/10-23 July 2003)

CUSTOMER BASE

As of June 30, 2003, Telkomsel recorded 7,713,590 subscribers consisting of 973,763 postpaid subscribers representing 13% of total subscribers and 6,740,227 prepaid subscribers representing 87% of total subscribers.

The total customer base grew with 84% compared to the end of June 2002. During the first half of 2003, the total additional subscribers was 1,703K, which was 80% more than the 948K subscribers added during the same period of 2002. Of the net additional subscribers, 50K were postpaid (**kartuHALO**) and 1,653K were prepaid (simPATI) subscribers.

ARPU

The ARPU from postpaid subscribers increased by 6% YoY (from Rp.291 thousand to Rp.308 thousand) and for prepaid subscribers decreased by 10% YoY (from Rp.103 thousand to Rp.93 thousand). This development results from successful stimulation of prepaid customers with high usage to migrate to postpaid and vice-versa, combined with an expected pressure on prepaid ARPU's as a result of increasing penetration into lower market segments.

The blended ARPU decreased by 17% from Rp.149 thousand to Rp.123 thousand, due to the increasing proportion of simPATI subscribers to the total subscribers from 78% in 2002 to 87% in 2003.

OPERATIONAL INDICATORS AS OF JUNE 30, 2002 & 2003

	Unit	2002	2003	Growth
CUSTOMER BASE				
Net Additions				
kartuHALO	Subscriber	61,391	50,358	-18%
simPATI	Subscriber	887,004	1,652,460	86%
Total	Subscriber	948,395	1,702,818	80%
Customer base				
kartuHALO	Subscriber	926,602	973,363	5%
simPATI	Subscriber	3,273,825	6,740,227	106%
Total	Subscriber	4,200,427	7,713,590	84%
ARPU Total (6 months average)				
kartuHALO	Rp.'000 per mo.	291	308	6%
simPATI	Rp.'000 per mo.	103	93	-10%
Blended	Rp.'000 per mo.	149	123	-17%
ARPU Non-voice/SMS (6 months average)				
kartuHALO	Rp.'000 per mo.	19	27	42%
simPATI	Rp.'000 per mo.	17	22	29%
Blended	Rp.'000 per mo.	17	23	35%
NETWORK DATA				
BTS/TRX				
Base stations installed	Unit	2,554	4,342	70%
Transmit receive exchanges (TRX)	Unit	21,616	35,414	64%
Capacity				
Switching (HLR) cap.	Subs. '000	7,295	12,915	77%
Prepaid capacity	Subs. '000	4,150	10,338	149%
Quality of service				
Call success rate	%	91.44%	94.74%	3.30%
Call completion rate	%	98.21%	99.08%	0.87%
EMPLOYEE DATA				
Total employees	person	2,500	2,728	9%
Efficiency ratio	Subs./employee	1,680	2,827	68%

BALANCE SHEET

From June 2002 to June 2003, Telkomsel's Total Assets increased from Rp.9,800 billion to Rp.13,465 billion. Total Liabilities increased from Rp.4,139 billion to Rp.5,447 billion. Meanwhile, Total Equities increased from Rp.5,661 billion to Rp.8,018 billion.

The increase of total assets was a result of the increase of investment activities and the prepayment of credit insurance premium for the export credit facilities.

The significant increase in Deferred Tax Liabilities resulted from the difference between the accounting depreciation and the fiscal depreciation based on Directorate General of Taxation of the Republic of Indonesia's decree No.KEP 520/PJ/2002, in which the depreciation rate and classification have been adjusted.

BALANCE SHEETS AS OF JUNE 30, 2002 AND 2003

(In Billions of Rupiah and Millions of U.S. Dollar)

ASSETS	2002 Rp	2003		Growth
		Rp	US\$ (1)	
CURRENT ASSETS				
Cash and cash equivalents (2)	1,910.2	1,407.5	169.9	-26%
Acct. receivable - net of allow. for doubtful acct.	307.2	223.3	27.0	-27%
Accrued income - net of allow. for doubtful acct.	296.9	339.6	41.0	14%
Inventories - net of allow. for obsolescence	53.6	44.2	5.3	-18%
Prepaid tax and expenses	92.9	300.5	36.3	223%
Advances	181.9	7.3	0.9	-96%
Others	71.3	81.3	9.8	14%
Total Current Assets	2,914.0	2,403.7	290.1	-18%
PROPERTY, PLANT AND EQUIPMENT				
Fixed assets	8,231.1	13,825.6	1,668.8	68%
Work in progress	382.0	285.5	34.5	-25%
Accumulated depreciation	(1,817.5)	(3,094.7)	(373.5)	70%
PPE - net book value	6,795.6	11,016.4	1,329.7	62%
OTHER ASSETS	89.9	45.0	5.4	-50%
TOTAL ASSETS	9,799.5	13,465.1	1,625.2	37%
CURRENT LIABILITIES				
Short-term loan	500.0	-	-	-100%
Account payable	291.1	311.4	37.6	7%
Accrued liabilities	985.3	1,155.2	139.4	17%
Taxes payable	241.9	362.4	43.7	50%
Unearned income	230.9	415.8	50.2	80%
Dividend payable	551.9	1,114.9	134.6	102%
Curr. maturities of obligation under cap. lease	0.8	0.6	0.1	-25%
Other current liabilities	-	55.1	6.7	-
Total Current Liabilities	2,801.9	3,415.4	412.2	22%
LONG-TERM LIABILITIES				
Long-term guaranteed notes payable - net	1,305.8	1,239.9	149.7	-5%
ECA loan	-	377.1	45.5	-
Oblig. under cap.lease - net of current maturities	0.6	-	-	-100%
Total Long-term Liabilities	1,306.4	1,617.0	195.2	24%
DEFERRED TAX LIABILITIES - NET	30.0	414.4	50.0	1281%
EQUITY				
Capital stock - Rp 1,000,000 par value				
Authorized - 650,000 shares				
Issued and fully paid - 182,570 shares	182.6	182.6	22.0	0%
Additional paid-in capital	1,504.8	1,504.8	181.6	0%
Retained earnings	3,973.8	6,330.9	764.1	59%
Total Equity	5,661.2	8,018.3	967.8	42%
TOTAL LIAB. & STOCKHOLDERS' EQUITY	9,799.5	13,465.1	1,625.2	37%

Notes:
 • 2002 figures have been reclassified to conform with 2003 presentations
 • (1) US\$ 1 = Rp.8,285 (middle rate on June 30, 2003, quoted from Bank Indonesia).
 • (2) Consisting of US\$ 49.5 mln, Euro 18.6 mln and Rp.843 bln for 2003 figure

CAPACITY EXPANSION

Since late 2001 Telkomsel has implemented a turn-key approach for its network expansion, with payment after the network is on-air or applying a 'pay-as-you-grow' mechanism. As a result, the network development has accelerated and financial conditions have improved as reflected by the decrease in inventory, advances and work-in progress. Accounts payable and accrued liabilities to vendors increased in line with the terms of payment of the turn-key projects.

CAPITAL EXPENDITURES

In the first half of 2003, the Company added Rp.2,603 billion (US\$ 301 million) to fixed-assets for network infrastructures and other investments. Cash spending on capex during the first half of 2003 was Rp.2,710 billion (US\$ 313 mln). There were 859 new BTS's and 7,353 TRXs installed and 3,740,000 subscribers capacity added to the switching capacity (HLR).

Capital expenditures are mostly financed by cash flow from operations. The remainder will be covered by external funding i.e. bonds, ECA financing, and L/C – TRL.

LOAN/DEBT

Loan facilities as per end of June 2003 were as follows:

	AMOUNT	DRAWN	INTEREST	REPAYMENT
Guaranteed Notes	US\$ 150 mln	US\$ 150 mln	9.75%	Call 2005 / 2007
ECA 1	Euro 76.2 mln	Euro 39.8 mln	±3.28%	2003 - 2008
ECA 2	US\$ 70.5 mln	-	4.27%	2003 - 2008
	AMOUNT	IN USE	DEFERRED REPAYMENT	
L/C Facility 1	US\$ 40 mln	US\$ 23.5 mln	US\$ 6.6 mln	
L/C Facility 2	US\$ 25 mln	US\$ 20.5 mln	-	

Financial covenants Telkomsel should maintain related to its loan/debt as per end of June 2003 were as follows:

	COVENANTS T/B MAINTAINED	TARGET	ACTUAL
Bonds	None	-	-
ECA Facilities	Debt to equity ratio	<2	0.21
	Debt service coverage ratio	>1.25	1.60
	Permitted indebtedness	<Rp. 12.57 trln	Rp. 1.70 trln
L/C Facility 1	Debt to equity ratio	<1.5	0.21
L/C Facility 2	None	-	-

RATINGS

	LOCAL CURRENCY	FOREIGN CURRENCY
Moody's	B1	B3 *)
S&P	B+	B+
Fitch	BB-	B
Pefindo	AAA	

*) Under review for upgrade

FOREIGN CURRENCY RISK MANAGEMENT

Telkomsel minimizes its foreign currency exposure by immediate conversion of excess Rupiah into USD/EUR, and the use of derivatives. As per end of June 2003 we had covered the 12-months forex cash requirements in EUR/USD for approximately 57% with cash deposits, forwards and expected foreign currency cash inflows.

DIVIDENDS

In March 2003, Telkomsel declared dividends for an amount of Rp.1,115 billion (US\$ 134.6 mln), which will be paid in July and November 2003. The dividends declared and paid in 2002 were Rp.818 billion.

OUTLOOK 2003

With the strong subscriber additions in the first half of 2003, Telkomsel has revised the 2003 FY subscriber base forecast upward to appr. 9.25 mln. Network capacity at the end of the year will be around 10.5 mln with an investment level of appr. Rp.5 trln (USD 600 mln). We expect postpaid ARPU to remain stable, whereas prepaid ARPU might slightly decline from the current level. EBITDA margin for the full year is expected around 68-70%.

SIGNIFICANT DIFFERENCES BETWEEN INDONESIAN GAAP AND U.S. GAAP.

Foreign Exchange Loss on Construction in Progress Under Indonesian GAAP, foreign exchange loss on borrowings used to finance the construction of assets may be capitalized. Under U.S. GAAP, foreign exchange differences would be included in current operations.

Interest Capitalizable to Construction in Progress Under Indonesian GAAP, one of the criteria for capitalizing interest cost to a qualifying asset (i.e. construction in progress) is that the the qualifying asset should be under construction for a minimum period of 12 months. Under U.S. GAAP, SFAS No.34 does not specify a minimum construction period or that the interest cost be specifically attributable to the qualifying assets.

Landrights In Indonesia, the title of land rests with the State under Basic Agrarian Law No. 5 of 1960. Landuse is accomplished through landrights whereby the holder of the right enjoys the full use of the land for a stated period of time, subject to extensions. The landrights generally are freely tradable and maybe pledged as security under borrowing agreements. Under Indonesian GAAP, land ownership based on various kinds of rights is not depreciated unless it can be foreseen that there is a remote possibility for the holder to obtain extension or renewal of rights.

Equipment to be Installed Under Indonesian GAAP, temporarily unused equipment or equipment that is awaiting installation is not depreciated. Under U.S. GAAP, temporarily unused equipment should continue to be depreciated.

Pension Plan The company adopted PSAK No.24, an accounting method for pension benefits cost that is substantially consistent with the requirements of U.S. GAAP. Under U.S. GAAP, starting from January 1, 1991, the accounting for these benefits is governed by SFAS No.87, "Employers' Accounting for Pensions".

RECONCILIATION TO U.S. GAAP For the periods ended 30 June 2003 and 2002

(in billions of rupiah)	2003	2002
Net Income as reported under Indonesian GAAP	1,944.1	1,259.3
U.S. GAAP adjustments		
Capitalization of interest expense	21.0	28.2
Depreciation expense	(2.3)	9.2
Amortization of deferred connection fees	(32.2)	-
Recognition of finance leases	14.7	-
Amortization of landrights	(1.9)	(11.2)
Net periodic pension cost	-	0.1
Deferred income tax effect	(0.4)	(11.2)
Net adjustments	(1.1)	25.1
Net Income in accordance with U.S. GAAP	1,943.0	1,284.4
S/H Equities as reported under Indonesian GAAP	8,018.3	5,661.2
U.S. GAAP adjustments		
Capitalization of forex loss	(217.6)	(217.6)
Capitalization of interest expense	83.2	48.0
Depreciation expense	75.9	68.7
Recognition of finance leases	29.0	-
Deferral of connection fees	(134.4)	-
Amortization of landrights	(6.8)	(3.3)
Depreciation of equipment to be installed	-	(9.7)
Net periodic pension cost	1.0	0.9
Deferred tax liabilities	48.3	33.2
Net adjustments	(121.4)	(79.8)
S/H Equities in accordance with U.S. GAAP	7,896.9	5,581.4
Balance Sheet		
Current Assets	2,447.0	2,914.2
Total Assets	13,663.4	9,689.7
Current Liabilities	3,502.5	2,801.9
Total Liabilities	5,766.4	4,108.3
Statement of Income		
Operating Revenues	6,064.7	4,117.0
Income from Operations	2,809.2	1,856.3

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